LAW OFFICES

JACKSON, CAMPBELL & PARKINSON

1828 L STREET, N. W.

WASHINGTON, D. C. 20036

(202) 457-1600

EDMUND D. CAMPBELL *
THOMAS SEARING JACKSON +
JAQUELIN AMBLER MARSHALL
H. DONALD KISTLER
BENJAMIN W. DULANY *
KENNETH WELLS PARKINSON
DANIEL WEBSTER COON +
THOMAS PENFIELD JACKSON +
ARTHUR C. ELGIN, JR. +
JAMES P. SCHALLER +
JAMES E. BRAMMER
PATRICIA D. GURNE +
NICHOLAS S. McCONNELL +
JAMES R. MICHAL
ALAN R. SWENDIMAN +
CLIFFORD A. WILPON +
DAWN V. WHITE +
DAVID H. COX

+ ALSO ADMITTED IN MARYLAND
* ALSO ADMITTED IN VIRGINIA

MARYLAND OFFICE
414 HUNGERFORD DRIVE
ROCKVILLE, MARYLAND 20850
(301) 340-0450

VIRGINIA OFFICE
2000 N. 16TH STREET
ARLINGTON, VIRGINIA 22201
(703)-522-1330

ROGER H. MUZZALL
COUNSEL

DIRECT DIAL NUMBER
457-1616

10402
RECORDATION NO. Filed 1425
MAY 29 1979 -4 00 PM
INTERSTATE COMMERCE COMMISSION

9-149A070

May 29, 1979

10402-A
RECORDATION NO. Filed 1425
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INTERSTATE COMMERCE COMMISSION

Date MAY 29 1979
Fee $ 150.00
ICC Washington, D. C.

10402-B
RECORDATION NO. Filed 1425
MAY 29 1979 -4 00 PM
INTERSTATE COMMERCE COMMISSION

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FEE OPERATION BR.

Mr. Gordon H. Homme, Jr.
Secretary
Interstate Commerce Commission
Room 2215
Washington, D. C. 20423

Dear Mr. Homme:

This firm has been retained as Special Counsel by Rex Railways, Inc., a New Jersey corporation. At their request, we ask that you file the following documents:

1. A Lease Agreement, dated March 5, 1979, between Rex Railways, Inc., a New Jersey corporation, as lessor and Laurinburg & Southern Railroad Company, a New Jersey corporation, as lessee, for the leasing of railroad cars bearing numbers LRS 5001 to 5075, inclusive, which cars are plainly marked in stencil on both sides of each car with the words "Title to this Car subject to documents recorded with Interstate Commerce Commission." All 75 of these railroad cars encompassed by this lease are new, 50' 6" IL XL box cars equipped with 70-ton trucks, ten-foot sliding doors, and nailable steel floors. The interior equipment includes lading strap anchors and belt rails for XL classification.

2. A Lease Agreement, dated March 6, 1979, between Rex Railways, Inc., a New Jersey corporation, as lessor, and Minneapolis, Northfield and Southern Railway, a South Dakota corporation, as lessee. This lease encompasses 100 railroad cars bearing numbers MNS 49800 through MNS 49899, inclusive. Each of the said 100 railroad cars is plainly marked in stencil on both

David H. Cox

sides of each car with the words "Title to this Car subject to documents recorded with the Interstate Commerce Commission." Each of the 100 railroad cars encompassed by this lease is a new, 50' 6" inside length XF box car, which is 70 tons in weight. The interior equipment includes lading strap anchors and the permitted lading use is for food grade products.

3. A Loan and Security Agreement, dated May 18, 1979, between Rex Railways, Inc., a New Jersey corporation, and Manufacturers Hanover Leasing Corporation, a New York corporation. Manufacturers Hanover Leasing Corporation, the lender, agrees to make a loan to Rex Railways, Inc., the borrower, in a principal amount not to exceed $6,797,500.00 to finance a portion of the aggregate purchase price of the 175 70-ton box cars to be purchased by the company from ACF Industries, Inc., a New Jersey corporation, and leased under the two aforementioned Lease Agreements. As collateral security for the prompt and complete payment when due of the unpaid principal of, premium, if any, and interest on the note evidencing the loan, the due and punctual payment and performance by the company of all of its obligations and liabilities under or arising out of or in connection with this Agreement and the prompt and complete payment when due of all other indebtedness, obligations and liabilities of the company to the lender, whether now existing or hereafter incurred, and in order to induce the lender to make the loans hereunder, the borrower assigns, conveys, mortgages, pledges and transfers to the lender and does hereby grant to the lender a continuing security interest in all box cars, as defined in this Loan and Security Agreement, now owned or at any time hereafter acquired by the borrower and any and all proceeds thereof, provided that the lender does not hereby consent to the sale or other disposal thereof. In addition, the borrower assigns, conveys, mortgages, pledges and transfers to the lender and does hereby grant to the lender a continuing security interest in all the right, title and interest of the borrower in, to and under each of the Lease Agreements noted above. The railroad cars encompassed by the terms of this Loan and Security Agreement are described in Schedule I to the Loan and Security Agreement (attached) and in paragraphs 1 and 2 hereinabove.

Our office is tendering one original and six copies of each of the aforementioned documents. We request that the four extra copies of each of the aforementioned documents be stamped and filed and be returned, along with the original of each document, to:

Mark A. Salitan
Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07632

Thank you for your assistance. We look forward to hearing from you at your earliest convenience.

Very truly yours,

JACKSON, CAMPBELL & PARKINSON

By: Patricia D. Gurne
Patricia D. Gurne

By: David H. Cox
David H. Cox
Special Counsel to
Rex Railways, Inc.

PDG:DHC:kcs
cc: Mark A. Salitan
Richard M. Contino

LOAN AND SECURITY AGREEMENT

between

REX RAILWAYS, INC.

and

MANUFACTURERS HANOVER LEASING CORPORATION

Dated as of May 18, 1979

LOAN AND SECURITY AGREEMENT

between

REX RAILWAYS, INC.

and

MANUFACTURERS HANOVER LEASING CORPORATION

Dated as of May 18, 1979

Filed and recorded with the Interstate Commerce Commission pursuant to Section 11303, Title 49, United States Code on _____, 1979 at _____, Recordation No. _____.

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LOAN AND SECURITY AGREEMENT, dated as of May 18, 1979, between REX RAILWAYS, INC., a New Jersey corporation (the "Company"), and MANUFACTURERS HANOVER LEASING CORPORATION, a New York corporation (the "Lender").

W I T N E S S E T H :

WHEREAS, the Company is engaged, among other things, in the business of purchasing and owning railroad box-cars for lease to others; and

WHEREAS, the Company desires to obtain a loan from the Lender in order to finance a portion of the purchase price of 175 box-cars on order from the Amcar Division of ACF Industries Incorporated, 100 of such box-cars to be leased to Minneapolis, Northfield and Southern Railway under the Minneapolis Northfield Lease (as hereinafter defined) and 75 of such box-cars to be leased to the Laurinburg & Southern Railroad Co. under the Laurinburg Lease (as hereinafter defined); and

WHEREAS, the Company will evidence its borrowing hereunder by the issuance of its promissory note which, together with the Company's obligations and liabilities under this Agreement, will be secured by, inter alia, a lien on and security interest in such box-cars and the rights of the Company under the Minneapolis Northfield Lease and the Laurinburg Lease; and

WHEREAS, the Lender is agreeable to making the loan on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement the following terms shall have the following meanings:

"ACF" shall mean ACF Industries Incorporated, a New Jersey corporation.

"Agreement" shall mean this Loan and Security Agreement, including all Schedules and all Exhibits hereto, as the same may from time to time be amended, supplemented or otherwise modified.

"Box-cars" shall mean at any time the 70-ton box-cars which are described in Schedule I hereto, together with (i) any and all other box-cars which are subjected to the lien and security interest of this Agreement or intended so to be, (ii) any and all parts, mechanisms, devices and replacements referred to in Subsection 6.17 hereof from time to time incorporated in or installed on or attached to any of such box-cars, (iii) any and all additions and improvements from time to time incorporated in or installed on or attached to any of such box-cars pursuant to requirement of law or governmental regulation and (iv) any and all Non-Removable Improvements.

"Box-car Cost" shall mean, for each Unit (other than a Replacement Unit), the actual cost thereof to the Company including all inspection fees and all applicable local or state sales taxes, if any, but excluding transportation charges in excess of $1,000, as set forth in the manufacturer's invoice with respect to such Unit. The "Box-car Cost" of a Replacement Unit shall be the Box-car Cost of the Unit which it replaced.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday under the laws of the State of New York.

"Cash Collateral Account" shall have the meaning set forth in Subsection 5.2(b) hereof.

"Casualty Occurrence" shall mean any of the following events or conditions with respect to any Unit:

(i) such Unit shall become lost for a period of at least 30 consecutive days, or shall become stolen, destroyed or damaged beyond economic repair from any cause whatsoever; or

(ii) the confiscation, condemnation, seizure or forfeiture of, or other requisition of title to, or use of, such Unit by any governmental authority or any Person acting under color of governmental authority.

"Casualty Value" with respect to any Unit shall mean the amount obtained by multiplying the unpaid principal amount of the Note at the time Casualty Value is being determined by a fraction, the numerator of which is the Box-car Cost of such Unit and the denominator of which is the aggregate Box-car Costs of all Box-cars which are then subject to the lien and security interest of this Agreement.

"Casualty Value Determination Date" shall have the meaning set forth in Subsection 6.16 (a) hereof.

"Collateral" shall mean the Box-cars, the Leases, the moneys at any time in the Cash Collateral Account and all other property, interests and rights described or referred to in Subsection 5.1, 5.2 or 5.3 hereof or otherwise subjected to the lien and security interest created by this Agreement or intended so to be.

"Damaged Unit" shall mean any Unit which has suffered a Casualty Occurrence.

"Default" shall mean any of the events specified in Section 8 hereof, whether or not there has been satisfied any requirement in connection with such event for the giving of notice or the lapse of time, or both.

"Event of Default" shall mean any of the events specified in Section 8 hereof, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or both.

"Installment Payment Date" shall mean each date on which an installment of principal and interest is due and payable under the Note.

"Guarantor" shall mean Rex-Noreco, Inc., a New Jersey corporation.

"Guaranty" shall mean the Guaranty of the Guarantor in favor of the Lender, substantially in the form of Exhibit B hereto.

"Laurinburg" shall mean Laurinburg & Southern Railroad Co., a North Carolina corporation.

"Laurinburg Box-cars" shall mean at any time the Box-cars which are subject to the Laurinburg Lease.

"Laurinburg Lease" shall mean the Lease Agreement dated as of March 5, 1979 between the Company and Laurinburg, as the same may from time to time be amended, supplemented or otherwise modified.

"Leases" shall mean and include the Minneapolis Northfield Lease and the Laurinburg Lease.

"Lessees" shall mean and include Minneapolis Northfield and Laurinburg.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, security interest, lien, charge or encumbrance, priority or other security agreement or arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as a conditional sale or other title retention agreement, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Loan" shall mean the loan made by the Lender under this Agreement.

"Minneapolis Northfield" shall mean the Minneapolis, Northfield and Southern Railway, a South Dakota corporation.

"Minneapolis Northfield Box-cars" shall mean at any time the Box-cars which are subject to the Minneapolis Northfield Lease.

"Minneapolis Northfield Lease" shall mean the Lease Agreement dated as of March 6, 1979 between the Company and Minneapolis Northfield, as the same may from time to time be amended, supplemented or otherwise modified.

"Non-Removable Improvement" shall mean any addition or improvement incorporated in or installed on or attached to any Box-car which is not readily removable without causing material damage to such Box-car or without diminishing or impairing the utility or condition which such Box-car would have had at the time of removal had such addition or improvement not been made.

"Note" shall mean the promissory note of the Company described in Subsection 2.3 hereof.

"Obligations" shall have the meaning set forth in Section 5 hereof.

"Permitted Liens" shall mean, with respect to any Unit, (i) the rights of the Lessee under the Lease of such Unit, (ii) Liens for taxes which are not yet due or the payment of which is not at the time required to be made in accordance with the provisions of Subsection 6.4 hereof, and (iii) materialmen's, mechanics', repairmen's and other like Liens arising in the ordinary course of business securing obligations which are not more than 30 days overdue or the payment of which is not at the time required to be made in accordance with the provisions of Subsection 6.4 hereof.

"Person" shall mean an individual, partnership, corporation, joint venture, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code of the State of New York and, in any event, shall

include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Company from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any of the Collateral by any governmental authority (or any Person acting under color of governmental authority), and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Replacement Unit" shall have the meaning set forth in Subsection 6.16(c) hereof.

"Subsidiary" shall mean, when used with respect to any Person, any corporation more than 50% of the issued and outstanding shares of Voting Stock of which at the time is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person.

"Unit" shall mean one of the Box-cars.

"Voting Stock" of a corporation shall mean stock having ordinary voting power for the election of a majority of the board of directors, managers or trustees of such corporation, other than stock having such power only by reason of the happening of a contingency.

"Wholly-Owned Subsidiary" shall mean, when used with respect to any Person, any Subsidiary, all the issued and outstanding shares (except for directors' qualifying shares, if required by law) of Voting Stock of which at the time are owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

1.2 Use of Defined Terms. All terms defined in this Agreement shall have their defined meanings when used in the Note, or in any certificates, reports or other documents made or delivered pursuant hereto.

1.3 Other Definitional Provisions. (a) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural and vice versa.

SECTION 2. AMOUNT AND TERMS OF LOAN

2.1 Commitment. Subject to the terms and conditions of this Agreement, the Lender agrees to make a loan to the Company on any Business Day from the date hereof to and including July 31, 1979, in a principal amount not to exceed $6,797,500, to finance a portion of the aggregate purchase price of one hundred seventy-five 70-ton box-cars to be purchased by the Company from ACF and leased under the Leases; provided, however, that the amount of such loan shall in no event exceed the sum of (i) 85% of the aggregate Box-car Costs of the Minneapolis Northfield Box-cars plus (ii) 90% of the aggregate Box-car Costs of the Laurinburg Box-cars. The Company shall give the Lender at least five Business Days' prior written notice (effective upon receipt) of the borrowing hereunder.

2.2 Use of Proceeds. The Company will use the proceeds of the Loan solely to pay, or to reimburse the Company for payments made by it with respect to, up to 85% of the aggregate Box-car Costs of the Minneapolis Northfield Box-cars and up to 90% of the aggregate Box-car Costs of the Laurinburg Box-cars.

2.3 The Note. The Loan shall be evidenced by a secured promissory note of the Company substantially in the form of Exhibit A hereto with appropriate insertions therein. The Note shall (a) be dated the date on which the Loan is made, (b) be in the principal amount of the Loan, (c) bear interest on the unpaid principal amount thereof from the date thereof at the rate of 11.75% per annum, provided that whenever any such unpaid principal amount shall become due and payable (whether at the stated maturity, by prepayment, by acceleration or otherwise), interest thereon shall thereafter be payable at the rate of 18% per annum until such overdue principal amount shall be paid in full, and (d) be payable in 120 consecutive monthly installments of principal and interest, commencing on the day of the first calendar month after the date of the Note corresponding with the date of the Note and on the same day of each calendar

month thereafter (or, if any such month does not have a corresponding day, then on the last day of such month), the 1st through the 119th of such installments each being in an amount equal to 1.184131% of the original principal amount of the Note and the 120th of such installments being in an amount equal to ~~53.536308%~~ 54.720439% of the original principal amount of the Note, provided that, in any event, the 120th installment shall be in an amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, the Note. Installments received with respect to the Note shall be applied first to the payment of interest then due and then to the payment of principal.

2.4 Voluntary Prepayment With Premium. On any one Installment Payment Date subsequent to the sixth anniversary of the date of the Note, the Company may, at its option, upon notice as provided in Subsection 2.6 hereof, prepay up to but not exceeding 40% of the then outstanding principal amount of the Note, provided that simultaneously with such prepayment the Company pays to the Lender (i) accrued interest on the outstanding principal amount of the Note to the date of such prepayment and (ii) a premium equal to 1% of the outstanding principal amount of the Note being prepaid. Upon the making of any such prepayment of the Note by the Company, the Company shall have no further right to prepay the Note pursuant to this Subsection 2.4. Except as otherwise provided in this Subsection 2.4, the Note may not be voluntarily prepaid.

2.5 Casualty Occurrence Prepayment. In the event that any Unit shall suffer a Casualty Occurrence and the Company shall not replace such Unit pursuant to Subsection 6.16 hereof, the Company will prepay the Note without premium in accordance with the provisions of said Subsection 6.16.

2.6 Notice of Prepayment. The Company shall give written notice to the Lender of any prepayment of the Note not less than 10 days nor more than 30 days before the date fixed for such prepayment, specifying (a) the date fixed for such prepayment (which shall be an Installment Payment Date if the prepayment is to be made pursuant to Subsection 2.4 hereof), (b) the Subsection hereof under which such prepayment is to be made, (c) the principal amount of the Note to be prepaid, and (d) the premium, if any, and accrued interest applicable to such prepayment. Such notice of prepayment shall also certify all facts which are conditions precedent to such prepayment, including, if such prepayment is to be made pursuant to Subsection 2.5 hereof,

the calculations used in determining the unpaid principal amount of the Note to be prepaid. Upon the giving of such notice, the unpaid principal amount of the Note to be prepaid, together with the premium, if any, and accrued interest thereon, shall become due and payable on the date fixed for such prepayment.

2.7 Adjustment of Installments. In the event any partial prepayment of the Note is made pursuant to Subsection 2.4 or 2.5 hereof, each installment due and payable under the Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of the Note shall have been reduced by such partial prepayment.

2.8 Computation of Interest. Interest on the Note shall be calculated on the basis of a 360-day year of twelve 30-day months. All payments (including prepayments) by the Company on account of the principal of, premium, if any, and interest on the Note shall be made to the Lender at its office at 30 Rockefeller Plaza, New York, New York (or at such other place as the Lender shall notify the Company in writing), in lawful money of the United States of America. If any such payment becomes due and payable on a day that is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day.

2.9 Release of Collateral. Upon any prepayment of the Note pursuant to Subsection 2.4 hereof, the Lender will promptly execute and deliver to the Company such instruments as shall be necessary to release from the lien and security interest of this Agreement, without recourse to, or representation or warranty by, the Lender, that number of Units which is equal to the number (disregarding any fraction) obtained by multiplying the total number of Box-cars which are then subject to the lien and security interest of this Agreement by a fraction, the numerator of which is the principal amount of the Note so prepaid and the denominator of which is the original principal amount of the Note. The Lender shall have the right to designate the Units to be released.

SECTION 3. REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement and to make the Loan, the Company represents and warrants to the Lender that:

3.1 Corporate Existence and Business. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Neither the conduct of its business nor the ownership or lease of its properties requires the Company to qualify to do business as a foreign corporation under the laws of any jurisdiction. The Company has no Subsidiaries. The Company presently is engaged solely in the business of purchasing, leasing and managing railroad cars.

3.2 Power and Authorization; Enforceability; Consents. The Company has full power, authority and legal right to own its properties and to conduct its business as now conducted and presently proposed to be conducted by it and to execute, deliver and perform this Agreement, the Note and the Leases and to borrow under this Agreement on the terms and conditions hereof, to grant the lien and security interest provided for in this Agreement and to take such action as may be necessary to complete the transactions contemplated by this Agreement, the Note and the Leases, and the Company has taken all necessary corporate action to authorize the borrowing on the terms and conditions of this Agreement and the grant of the lien and security interest provided for in this Agreement and to authorize the execution, delivery and performance of this Agreement, the Note and the Leases. This Agreement has been duly authorized, executed and delivered by the Company and constitutes, and the Note has been duly authorized by the Company and when executed and delivered by the Company will constitute, a legal, valid and binding obligation of the Company enforceable in accordance with its terms. No consent of any other party (including stockholders of the Company and the Guarantor) and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the Note except for the filing of this Agreement with the Interstate Commerce Commission and the filing of a financing statement with respect to the Lender's security interest in the Leases in the office of the Secretary of State of New Jersey.

3.3 No Legal Bar. The execution, delivery and performance by the Company of this Agreement, the Note and the Leases will not violate any provision of any existing law or regulation to which the Company is subject or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company or of the Articles of Incorporation, By-Laws or any preferred

stock provision of the Company or of any mortgage, indenture, contract or other agreement to which the Company is a party or which is or purports to be binding upon the Company or any of its properties or assets, and will not constitute a default thereunder, and (except as contemplated by this Agreement) will not result in the creation or imposition of any Lien on any of the properties or assets of the Company. The Company is not in default in the performance or observance of any of the obligations, covenants or conditions contained in any bond, debenture or note, or in any mortgage, deed of trust, indenture or loan agreement, of the Company.

3.4 No Material Litigation. There are no actions, suits or proceedings (whether or not purportedly on behalf of the Company) pending or, to the knowledge of the Company, threatened against the Company or any of its properties or assets in any court or before any arbitrator of any kind or before or by any governmental body, which (i) relate to any of the Collateral or to any of the transactions contemplated by this Agreement, or (ii) would, if adversely determined, materially impair the right or ability of the Company to carry on its business substantially as now conducted and presently proposed to be conducted, or (iii) would, if adversely determined, have a material adverse effect on the operating results or on the condition, financial or other, of the Company. The Company is not in default with respect to any order, judgment, award, decree, rule or regulation of any court, arbitrator or governmental body.

3.5 No Default. No Default or Event of Default has occurred and is continuing under this Agreement.

3.6 Financial Condition. The unaudited financial statements of the Company as at January 31, 1979, and for the six months then ended, certified by the chief financial officer of the Company, copies of which have heretofore been delivered to the Lender, are complete and correct, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the period involved and present fairly the financial position of the Company at January 31, 1979, and the results of its operations for the six months then ended. There has been no material adverse change in the condition, financial or other, of the Company since January 31, 1979.

3.7 Payment of Taxes. The Company has filed all federal, state and local tax returns and declarations of estimated tax which are required to be filed and has

paid all taxes which have become due pursuant to such returns and declarations or pursuant to any assessments made against it, and the Company has no knowledge of any deficiency or additional assessment in connection therewith not adequately provided for on the books of the Company. In the opinion of the Company, all tax liabilities of the Company were adequately provided for as of January 31, 1979, and are now so provided for, on the books of the Company.

3.8 Force Majeure. Since January 31, 1979, the business, operations, properties and assets of the Company have not been materially and adversely affected in any way as the result of any fire, explosion, earthquake, disaster, accident, labor disturbance, requisition or taking of property by governmental authority, flood, drought, embargo, riot, civil disturbance, uprising, activity of armed forces, or act of God or the public enemy.

3.9 Burdensome Provisons. The Company is not a party to any agreement or instrument, or subject to any charter or other corporate restriction or to any judgment, order, writ, injunction, decree, award, rule or regulation, which does or will materially and adversely affect the business, operations, properties or assets or the condition, financial or other, of the Company.

3.10. Leases. (a) Each Lease has been duly authorized, executed and delivered by the Company and the Lessee thereunder and constitutes a valid and binding obligation of the Company and such Lessee, enforceable in accordance with its terms. No consent of any other party (including stockholders of the Company, the Guarantor and each Lessee) and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority is required to be obtained, effected or given in connection with the execution, delivery and performance of each Lease by each party thereto except for the filing of the Leases with the Interstate Commerce Commission which will have been duly effected on or before the making of the Loan hereunder and will be in full force and effect at all times thereafter.

(b) Neither the Company nor (to the best of the Company's knowledge) the Lessee under either Lease is in default in the performance or observance of any covenant, term or condition contained in such Lease, and no event has occurred and no condition exists which constitutes, or which with the lapse of time or the giving of notice or both would constitute, a default under either Lease.

The Company has fully performed all of its obligations under each Lease, and the right, title and interest of the Company in, to and under each Lease is not subject to any defense, offset, counterclaim or claim, nor have any of the foregoing been asserted or alleged against the Company as to either Lease. The Company has not received any payment of rent or any other amount under either of the Leases.

3.11 Title to Box-cars; Specifications. At the time of the making of the Loan by the Lender under this Agreement (i) the Company will have good and valid title to, and will be the lawful owner of, each Unit described in Schedule I hereto, free and clear of all Liens whatsoever except the lien and security interest created by this Agreement, (ii) each Unit will conform to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads, in each case applicable to railroad equipment of the same type as such Unit and (iii) each such Unit will be new and unused.

3.12 First Lien. Upon the filing of this Agreement and the Leases in the manner prescribed in Section 11303, Title 49, United States Code and in the related regulations of the Interstate Commerce Commission, and the filing of a financing statement with respect to the Lender's security interest in the Leases in the office of the Secretary of State of New Jersey, this Agreement will constitute a legal, valid and perfected first lien on and first priority security interest in each of the Units (and any Proceeds thereof), each of the Leases (and the Proceeds thereof) and the Cash Collateral Account, as security for the Obligations, free and clear of all other Liens whatsoever. No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral is on file or of record with the Interstate Commerce Commission or with any other public office, except such as may have been filed by or on behalf of the Company in favor of the Lender pursuant to this Agreement.

3.13 Principal Office. The principal place of business, the chief executive office and the place at which the books and records of the Company are kept is 616 Palisade Avenue, Englewood Cliffs, New Jersey 07632.

SECTION 4. CONDITIONS OF BORROWING

The obligation of the Lender to make the Loan hereunder shall be subject to the fulfillment, to the satisfaction of the Lender, of the following conditions precedent:

(a) The Company shall have executed and delivered to the Lender a Note meeting the requirements of Subsection 2.3 hereof;

(b) There shall have been delivered to the Lender copies, certified by the Secretary of the Company on the date of the Loan, of the Certificate of Incorporation and By-Laws of the Company;

(c) There shall have been delivered to the Lender copies, certified by the Secretary of the Guarantor on the date of the Loan, of the Certificate of Incorporation and By-Laws of the Guarantor;

(d) There shall have been delivered to the Lender a copy, certified by the Secretary of the Company on the date of the Loan, of the resolutions of the Board of Directors of the Company approving the transactions contemplated by this Agreement and authorizing the execution, delivery and performance by the Company of this Agreement, the Note and the Leases and all other documents and instruments required hereby;

(e) There shall have been delivered to the Lender a copy, certified by the Secretary of the Guarantor on the date of the Loan, of the resolutions of the Board of Directors of the Guarantor authorizing the execution, delivery and performance by the Guarantor of the Guaranty and all other documents and instruments required hereby or thereby;

(f) There shall have been delivered to the Lender a copy, certified by the Secretary or an Assistant Secretary of Minneapolis Northfield on the date of the Loan, of the resolutions of the Board of Directors of Minneapolis Northfield, authorizing the execution, delivery and performance by Minneapolis Northfield of the Minneapolis Northfield Lease;

(g) There shall have been delivered to the Lender a copy, certified by the Secretary or an Assistant Secretary of Laurinburg on the date of the Loan, of the resolutions of the Board of Directors of Laurinburg, authorizing the execution, delivery and performance by Laurinburg of the Laurinburg Lease.

(h) There shall have been delivered to the Lender a certificate, dated the date of the Loan, with respect to the incumbency and signatures of each of the officers of the Company executing this Agreement or any document relating hereto on behalf of the Company;

(i) There shall have been delivered to the Lender a certificate, dated the date of the Loan, with respect to the incumbency and signatures of each of the officers of the Guarantor executing the Guaranty or any other document relating hereto or thereto on behalf of the Guarantor;

(j) The Guaranty shall have been duly executed by the Guarantor and delivered to the Lender;

(k) There shall have been delivered to the Lender evidence that this Agreement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code;

(l) All executed counterparts of each Lease in the possession of the Company or of any Person controlling, controlled by or under common control with the Company shall have been delivered to the Lender, and the Lender shall have received a certificate to the foregoing effect, dated the date of the Loan, and signed by a duly authorized officer of the Company;

(m) There shall have been delivered to the Lender evidence that each Lease has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code and that a financing statement with respect to the Lender's security interest

therein has been filed in the office of the Secretary of State of New Jersey;

(n) The Lender shall have received a certificate of each Lessee, dated the date of the Loan, in which such Lessee (i) acknowledges notice of the assignment to the Lender of all of the Company's right, title and interest in, to and under its respective Lease, (ii) agrees to make payment of all moneys under or arising out of such Lease directly to the Cash Collateral Account until such time as it shall have received notice from the Lender otherwise, (iii) agrees that each such payment shall be final and that such Lessee shall not seek to recover from the Lender for any reason whatsoever, any moneys paid by such Lessee to the Lender by virtue of this Agreement and that it will not seek recourse against the Lender by reason of this Agreement or such Lease, and (iv) certifies to the effect that such Lease is in full force and effect and constitutes a valid and binding agreement of such Lessee, enforceable in accordance with its terms;

(o) The representations and warranties contained in Section 3 hereof shall be true and correct on and as of the date of the making of the Loan with the same effect as if made on and as of such date, and no Default or Event of Default shall be in existence on the date of the making of the Loan or would occur as a result of the Loan;

(p) There shall have been delivered to the Lender (i) a copy of the warranty bill of sale from ACF with respect to the Box-cars, substantially in the form of Exhibit C hereto, transferring to the Company good title to the Box-cars free and clear of all Liens and (ii) copies of the Certificates of Acceptance of each Lessee with respect to the Box-cars subject to its respective Lease, substantially in the form or Exhibit D hereto;

(q) There shall have been delivered to the Lender a Certificate of Cost with respect to the Box-cars, substantially in the form of

Exhibit E hereto, showing the principal amount of the Loan to be equal to or less than the sum of (i) 85% of the aggregate Box-car Costs of the Minneapolis Northfield Box-cars plus (ii) 90% of the aggregate Box-car Costs of the Laurinburg Box-cars, and accompanied by true and complete copies of the invoice(s) from ACF, identifying the Box-cars and specifying the Box-car Costs thereof;

(r) There shall have been delivered to the Lender evidence of insurance with respect to the Box-cars, which indicates compliance by the Company with the provisions of Subsection 6.15 hereof;

(s) There shall have been delivered to the Lender a certificate, dated the date of the Loan and signed by the President or any Vice President of the Company, to the same effect as paragraph (o) of this Section 4 and to the further effect that (i) the Box-cars have been delivered to and accepted by the Company; (ii) the Company has valid and legal title to, and is the lawful owner of, the Box-cars, free and clear of all Liens except the lien and security interest created by this Agreement; and (iii) the Box-cars have been duly leased to the Lessees under the respective Leases;

(t) There shall not have been, in the judgment of the Lender, any material adverse change in the financial condition or business operations of the Company, the Guarantor, Minneapolis Northfield or Laurinburg;

(u) There shall have been delivered to the Lender, an opinion of counsel for each Lessee, dated the date of the Loan and addressed to the Lender and the Company to the effect provided in Paragraph 20 of the respective Lease;

(v) There shall have been delivered to the Lender, an opinion of Richard M. Contino, Esq., counsel for the Company and the Guarantor, dated the date of the Loan and substantially in the form of Exhibit F hereto;

(w) There shall have been delivered to the Lender, an opinion of Messrs. Jackson,

Campbell & Parkinson, special counsel for the Company, dated the date of the Loan and substantially in the form of Exhibit G hereto;

(x) There shall have been delivered to the Lender, an opinion of counsel for ACF, dated the date of the Loan and addressed to the Lender and the Company, to the effect that (i) ACF is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own its property and to conduct its business as presently conducted; (ii) the purchase letter with respect to the Box-cars has been duly authorized, executed and delivered by ACF and, assuming due authorization, execution and delivery thereof by the Company, constitutes a legal, valid and binding obligation of ACF, enforceable against ACF in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally; and (iii) ACF's bill of sale relating to the Box-cars has been duly authorized, executed and delivered by ACF and is effective to transfer to the Company good and marketable title to the Box-cars, free and clear of all claims, charges, liens, security interests and other encumbrances, except the rights of the Lender under this Agreement;

(y) The Lender shall have received any other documents, instruments or certificates that the Lender may reasonably request; and

(z) All legal matters in connection with the Loan and the security therefor shall be satisfactory to Messrs. Simpson Thacher & Bartlett, counsel for the Lender.

SECTION 5. GRANT OF LIEN AND SECURITY INTEREST

As collateral security for (a) the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of the unpaid principal of, premium, if any, and interest on the Note, (b) the due and punctual payment and performance by the Company of all of its obligations and liabilities under or arising out of or in connection with this Agreement and

(c) the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of all other indebtedness, obligations and liabilities of the Company to the Lender, whether now existing or hereafter incurred (all of the foregoing being hereinafter called the "Obligations"), and in order to induce the Lender to make the Loans hereunder:

5.1 Box-cars. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all Box-cars now owned or at any time hereafter acquired by the Company and any and all Proceeds thereof, provided that the Lender does not hereby consent to the sale or other disposal thereof.

5.2 Leases. (a) The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all of the right, title and interest of the Company in, to and under each of the Leases, including, without limitation, all right, title and interest of the Company in and to all rents, issues, profits, revenues and other income arising under each of the Leases and other moneys due and to become due to the Company under or arising out of each of the Leases, all accounts and general intangibles under or arising out of each of the Leases, all proceeds of each of the Leases and all claims for damages arising out of the breach of either of the Leases, the right of the Company to terminate each of the Leases and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other documents evidencing either of the Leases or any moneys due or to become due thereunder or related thereto. Each and every copy of each of the Leases which the Company directly or indirectly has in its control or possession shall have attached thereto a notice indicating the Lender's interest therein.

(b) The Company agrees that (i) it will specifically authorize and direct the Lessee under each Lease to make payment of all amounts due and to become due to the Company under or arising out of such Lease directly to an account of the Lender, to be maintained by the Lender at the office of Manufacturers Hanover Trust Company, located at 1460 Broadway, New York, New York and entitled "Rex Railways, Inc. -- Cash Collateral Account" (the "Cash Collateral Account"), (ii) it will hold in trust any such amounts received by it and forthwith pay the same to the

Lender, and (iii) it hereby irrevocably authorizes and empowers the Lender to ask, demand, receive, receipt and give acquittance for any and all such amounts which may be or become due and payable or remain unpaid to the Company by such Lessee at any time or times under or arising out of such Lease, to endorse any checks, drafts or other orders for the payment of money payable to the Company in payment therefor, and in the Lender's discretion to file any claims or take any action or proceedings either in its own name or in the name of the Company or otherwise which the Lender may deem to be necessary or advisable in the premises.

(c) It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under the Leases to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Lender shall not have any obligation or liability under the Leases by reason of or arising out of this Agreement or the assignment of the Leases to the Lender or the receipt by the Lender of any payment relating to either Lease pursuant hereto, nor shall the Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or pursuant to either Lease, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any performance by either Lessee under either Lease or to present or file any claim, or to take any action to enforce the observance of any obligations of either Lessee under either Lease.

5.3 Cash Collateral Account. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all moneys at any time held in the Cash Collateral Account.

5.4 Application of Funds. The Lender hereby agrees that (i) it will apply the moneys on deposit from time to time in the Cash Collateral Account to the payment of the installments of principal and interest under the Note as they become due and payable in accordance with the terms and provisions thereof, (ii) so long as no Default or Event of Default has occurred and is continuing, the Lender will pay or cause to be paid to the Company all amounts on deposit in the Cash Collateral Account in excess of the amounts due and payable or to become due and payable under the Note within 31 days of the date of determination, and (iii) when the Obligations shall have been paid, performed and discharged in full,

the Lender shall pay or cause to be paid to the Company all amounts then on deposit in the Cash Collateral Account and shall notify each Lessee to make all further payments under its Lease directly to the Company or as the Company shall direct. Nothing contained in Section 5 of this Agreement or elsewhere in this Agreement is intended or shall impair, diminish or alter the obligation of the Company, which is absolute and unconditional, to pay to the Lender all principal of and interest on the Note and all amounts payable under this Agreement as and when the same shall become due and payable in accordance with their respective terms.

SECTION 6. COVENANTS

The Company hereby covenants and agrees that from the date of this Agreement and so long as any amount remains unpaid on account of the Note, unless the Lender shall otherwise consent in writing:

6.1 Financial Statements. The Company will furnish or cause to be furnished, or, in the case of paragraphs (h) and (j), use its best efforts to furnish or cause to be furnished, to the Lender:

(a) as soon as available, but in any event not later than 120 days after the end of each fiscal year of the Company, a balance sheet of the Company as at the end of such fiscal year and the related statements of income and of changes in financial position of the Company for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and accompanied by a report or opinion of Coopers & Lybrand or other independent public accountants of recognized standing selected by the Company and satisfactory to the Lender;

(b) as soon as available, but in any event not later than 90 days after the end of each quarter, other than the last, of each fiscal year of the Company, an unaudited balance sheet of the Company as at the end of such quarter and the related unaudited statements of income and of changes in financial position of the Company for the period from the beginning of such fiscal year to the end of such quarter,

all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the chief financial officer of the Company (subject to normal year-end audit adjustments);

(c) concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer of the Company stating that, to the best of his knowledge after due inquiry, the Company has observed and performed each and every covenant and agreement of the Company contained in this Agreement, the Note and the Leases and that no Default or Event of Default has occurred during the period covered by such financial statements or is in existence on the date of such certificate or, if a Default or Event of Default has occurred or is in existence, specifying the same;

(d) concurrently with the delivery of the financial statements referred to in clause (a) above, a certificate of the independent public accountants who certified such statements to the effect that, in making the examination necessary for the audit of such financial statements, they obtained no knowledge of any Default or Event of Default, or, if they shall have obtained knowledge of any Default or Event of Default, specifying the same;

(e) as soon as available, but in any event not later than 120 days after the end of each fiscal year of the Guarantor, a consolidated balance sheet of the Guarantor and its Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and of changes in financial position of the Guarantor and its Subsidiaries for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and accompanied by a report or opinion of Coopers & Lybrand or other independent public accountants of recognized standing selected by the Guarantor and satisfactory to the Lender;

(f) as soon as available, but in any event not later than 90 days after the end of each quarter, other than the last, of each fiscal year of the Guarantor, an unaudited consolidated balance sheet of the Guarantor and its Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of changes in financial position of the Guarantor and its Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the chief financial officer of the Guarantor (subject to normal year-end audit adjustments);

(g) as soon as available, but in any event not later than April 30 of each year commencing April 30, 1980 (i) a duplicate original of the annual report filed by Minneapolis Northfield with the Interstate Commerce Commission or any governmental authority succeeding to all or a part of the functions thereof and (ii) a copy of any annual report to shareholders for the most recent fiscal year made publicly available by Minneapolis Northfield;

(h) as soon as available, but in any event not later than 90 days after the end of each quarter, other than the last, of each fiscal year of Minneapolis Northfield, an unaudited consolidated balance sheet of Minneapolis Northfield and its Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of changes in financial position of Minneapolis Northfield and its Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the chief financial office of Minneapolis Northfield (subject to normal year-end audit adjustments);

(i) as soon as available, but in any event not later than April 30 of each year commencing April 30, 1980 (i) a duplicate original of the annual report filed by Laurinburg with the Interstate Commerce Commission or any governmental authority succeeding to all or a part of the functions thereof and (ii) a copy of any annual report to shareholders for the most recent fiscal year made publicly available by Laurinburg;

(j) as soon as available, but in any event not later than 90 days after the end of each quarter, other than the last, of each fiscal year of Laurinburg, an unaudited consolidated balance sheet of Laurinburg and its Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of changes in financial position of Laurinburg and its Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the chief financial officer of Laurinburg (subject to normal year-end audit adjustments);

(k) during any period when the Company shall have one or more Subsidiaries, within the periods prescribed in clauses (a) and (b) above, financial statements of the character and for the period or periods and as of the date or dates specified in such clauses and certified or accompanied by a report or opinion of independent public accountants as therein provided, covering the financial condition, income and changes in financial position of the Company and each of its Subsidiaries on a consolidated basis and, if requested by the Lender, a consolidating basis;

(l) during any period when Minneapolis Northfield or Laurinburg, as the case may be, shall not be required to file annual reports with the Interstate Commerce Commission or any successor governmental authority, as soon as available, but in any event no later than 120 days after the end of each fiscal year of such Person, a balance sheet of such Person

as at the end of such fiscal year and the related statements of income and of changes in financial position of such Person, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and, in the case of Minneapolis Northfield, accompanied by a report or opinion of independent public accountants of recognized standing selected by Minneapolis Northfield and satisfactory to the Lender, or, in the case of Laurinburg, certified by the chief financial officer of Laurinburg;

(m) promptly upon request, such additional financial and other information with respect to the Company and the Guarantor and, consistent with its best efforts, Minneapolis Northfield and Laurinburg, as the Lender may from time to time reasonably require.

6.2 Reports. (a) On or before March 31 in each year, commencing with the year 1980, the Company shall furnish or cause to be furnished to the Lender a report, certified by the chief financial officer of the Company, (i) setting forth as of the preceding December 31 (A) the amount, description and identifying numbers of all Units then subject to this Agreement and (B) the amount, description and identifying numbers of all Units that have suffered a Casualty Occurrence or are then undergoing repairs (other than running repairs) or have been withdrawn from use pending repairs (other than running repairs) during the preceding calendar year (or since the date of this Agreement in the case of the first such report) and (ii) stating that, in the case of all Units repaired or repainted during the period covered by such report, the numbers and markings required by Subsection 6.21 hereof have been preserved or replaced.

(b) The Company will prepare and deliver to the Lender within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lender) all reports (other than income tax returns), if any, relating to the maintenance, registration and operation of the Box-cars required to be filed by the Lender with any federal, state or other regulatory agency by reason of the Lender's lien on and security interest in the Box-cars or the Leases or the provisions of this Agreement.

6.3 Limitation on Fundamental Changes. The Company will not convey, sell, lease, transfer, pledge or otherwise dispose of, in one transaction or a series of related transactions, all or any substantial part of its properties, assets or business or change the form of organization of its business or liquidate or dissolve itself (or suffer any liquidation or dissolution). The Company will not enter into any transaction of merger or consolidation except that the Company may merge into or consolidate with the Guarantor or any Wholly-Owned Subsidiary of the Guarantor provided that immediately after giving effect to such transaction, the Company or the successor to the Company (if the successor shall not be the Company) shall not be in default in the performance or observance of any convenant, agreement or condition contained in this Agreement.

6.4 Payment of Taxes. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes, assessments and governmental charges or levies imposed upon the Company, or upon any property, real, personal or mixed, belonging to the Company, or upon any part thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any such property or any part thereof; provided, however, that the Company shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as (i) the validity thereof shall be contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any danger of the sale, forfeiture or loss of such property or any part thereof, and (iii) the Company shall have set aside on its books adequate reserves with respect thereto.

6.5 Conduct of Business; Maintenance of Existence. The Company will engage primarily in the business presently conducted by it, and will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises necessary to continue such business. The Company will qualify as a foreign corporation and remain in good standing under the laws of each jurisdiction in which it is required to be qualified by reason of the ownership of its assets or the conduct of its business.

6.6 Compliance with Laws and Rules. The Company will (i) comply, and use its best efforts to cause each Lessee and every user of the Box-cars to comply, in all material respects (including, without limitation, with respect to the use, maintenance and operation of the Box-cars) with all laws

of the jurisdictions in which its or such Lessee's or such user's operations involving the Box-cars may extend, with the interchange rules of the American Association of Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other governmental authority exercising any power or jurisdiction over the Box-cars, to the extent that such laws or rules affect the title to, or the operation or use of, or the Lender's lien and security interest in, the Box-cars, and in the event that such laws or rules require any alteration of, or any replacement or addition of or to any part on, any Unit, the Company will conform therewith at its own expense, and, (ii) comply in all material respects with all other applicable laws and regulations of any governmental authority relative to the conduct of its business or the ownership of its properties or assets, provided, however, that the Company may, in good faith, contest the validity or application of any such law or rule by appropriate proceedings which do not, in the opinion of the Lender, involve any danger of the sale, forfeiture or loss of the Box-cars or any part thereof.

6.7 Maintenance of Properties. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all property of the Company used or useful in the conduct of its business, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

6.8 Principal Office. The Company will not change the location of its principal place of business, its chief executive office or the place at which its books and records are kept from the address specified in Subsection 3.13 hereof unless it shall have given the Lender at least 90 days prior written notice of such change, and the Company will at all times maintain its principal place of business, chief executive office and the place at which its books and records are kept within the United States of America.

6.9 Indemnities, etc. (a) In any suit, proceedings or action brought by the Lender under either of the Leases or to enforce any provision thereof, the Company will save, indemnify and keep the Lender harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the Lessee thereunder, arising out of a breach by the Company of any obligation thereunder or arising out

of any other agreement, indebtedness or liability at any time owing to or in favor of such Lessee from the Company, and all such obligations of the Company shall be and remain enforceable against and only against the Company and shall not be enforceable against the Lender.

(b) The Company agrees to indemnify and hold the Lender harmless against any and all liabilities, obligations, losses, damages, claims, suits, costs, expenses and disbursements (including reasonable legal fees and expenses) incurred by or asserted against the Lender with respect to claims for personal injury or property damage arising from its participation in the transactions contemplated by this Agreement, the Leases or the Note except for claims arising due to the gross negligence or willful misconduct of the Lender or its employees or agents.

6.10 Performance of Leases. The Company will perform and comply in all material respects with all its obligations under each Lease and all other agreements to which it is a party or by which it is bound relating to the Collateral, and the Company will use its best efforts to cause each other party to any thereof to so perform and comply.

6.11 Preservation of Collateral. (a) The Company will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien, claim or right in or to the Collateral (other than the lien and security interest created by this Agreement and Permitted Liens), and will defend the right, title and interest of the Lender in and to the Company's rights under the Leases and rights in the Box-cars and in and to the Proceeds thereof against the claims and demands of all other Persons whomsoever.

(b) The Company will not sell, transfer or otherwise dispose of any of the Collateral or attempt or offer to do so.

(c) The Company will not agree to or permit any amendment or other modification of, or any termination of, either Lease in whole or in part.

(d) The Company will advise the Lender promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Collateral and of any event affecting the Lender's lien on and security interest in the Collateral.

6.12 Location of Box-cars. The Company will not permit any of the Box-cars to be located outside the continental United States of America at any time, except that not more than 10% of the Box-cars may be temporarily or incidentally used in Canada or Mexico.

6.13 Further Assurances; Recordation and Filing. The Company will, at its sole cost and expense, do, execute, acknowledge and deliver all further acts, supplements, mortgages, security agreements, conveyances, transfers and assurances necessary or advisable for the perfection and preservation of the lien and security interest created by this Agreement in the Collateral, whether now owned or hereafter acquired. The Company will cause this Agreement and any supplements hereto, and all financing and continuation statements and similar notices requested by the Lender or required by applicable law, at all times to be kept, recorded and filed at no expense to the Lender in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Lender hereunder.

6.14 ICC Jurisdiction. The Company will not take or permit to be taken any action within its control which would subject it to the jurisdiction of the Interstate Commerce Commission as a "carrier", "railroad carrier" or "common carrier", as such terms are defined in Title 49, United States Code, if such jurisdiction will adversely affect the ability of the Company to perform its obligations under this Agreement, the Note or the Leases or adversely affect the validity or enforceability of this Agreement, the Note or the Leases.

6.15 Maintenance of Insurance. (a) Upon the delivery of any Box-cars the Company will promptly effect and maintain or cause to be effected and maintained with The Home Indemnity Company, The Home Insurance Company and The United States Fire Insurance Company or other financially sound and reputable companies, insurance policies (i) insuring each such Box-car against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the same or a similar business and with coverage in an amount at least equal to the Casualty Value of such Box-car and (ii) insuring the Company and the Lender against liability for personal injury and property damage caused by or relating to such Box-cars or their use with coverage in the amount of at least $5,000,000, all such insurance policies to be in such form and to have such coverage as shall be satisfactory to the Lender, with losses payable

to the Company and the Lender as their respective interests may appear.

(b) All insurance required by this Subsection 6.15 shall (i) be with the carriers designated above or other carriers acceptable to the Lender, (ii) name the Lender as an assured and loss-payee, as its interest may appear, (iii) provide for at least 30 days' prior written notice to the Lender before any cancellation, reduction in amount or change in coverage thereof shall be effective, (iv) contain a breach of warranty clause in favor of the Lender and (v) provide that the Lender shall have no obligation or liability for premiums, commissions, assessments or calls in connection with such insurance.

(c) The Company shall, if so requested by the Lender, deliver to the Lender within a reasonable time and as often as the Lender may reasonably request a report of a reputable insurance broker with respect to the insurance on the Box-cars.

6.16 Casualty Occurrence. (a) In the event of a Casualty Occurrence with respect to any Unit, the Company shall, promptly after it has knowledge of same, give the Lender written notice of such Casualty Occurrence, which notice shall (i) identify the Unit which has suffered the Casualty Occurrence, (ii) set forth the Casualty Value of such Damaged Unit (and the calculations used in the determination thereof) as of the date which is not less than 10 days nor more than 45 days after the date of such notice (the "Casualty Value Determination Date"), and (iii) specify whether the Company will, on the Casualty Value Determination Date, prepay the Note pursuant to paragraph (b) of this Subsection 6.16 or replace the Damaged Unit pursuant to paragraph (c) of this Subsection 6.16.

(b) If the notice given pursuant to paragraph (a) of this Subsection 6.16 specifies that the Company will prepay the Note on the Casualty Value Determination Date, the Company will, on such date, (i) prepay the Note in an aggregate principal amount equal to the Casualty Value of the Damaged Unit as of such date and (ii) pay the accrued interest on the principal amount so prepaid to the date of prepayment.

(c) If the notice given pursuant to paragraph (a) of this Subsection 6.16 specifies that the Company will replace the Damaged Unit, the Company will, on or prior to the Casualty Value Determination Date:

(i) replace the Damaged Unit with a box-car of the same type, which has a value and utility at least equal to, and which is in as good condition as, the Damaged Unit immediately prior to the Casualty Occurrence (assuming that such Damaged Unit was then in the condition required to be maintained by Subsection 6.17 hereof) and which is free and clear of all Liens other than Permitted Liens,

(ii) take all steps necessary to subject such replacement box-car (the "Replacement Unit") to the lien and security interest of this Agreement and to subject such Replacement Unit to the applicable Lease, and

(iii) deliver to the Lender such documents evidencing the foregoing as the Lender may reasonably request, including, without limitation, (A) a duly executed supplement to this Agreement, satisfactory in form and substance to Lender and its counsel, describing the Replacement Unit and subjecting the Replacement Unit to the lien and security interest of this Agreement, together with evidence that such supplement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code, (B) a duly executed schedule, satisfactory in form and substance to Lender and its counsel, subjecting the Replacement Unit to the applicable Lease together with evidence that such schedule has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code, and (C) documents and opinions of counsel with respect thereto corresponding to those described in paragraphs (p), (r), (s), (v) and (w) of Section 4 hereof;

Upon the Company's compliance with the foregoing provisions of this Section 6.16, the Lender will, if no Default or Event of Default has occurred and is continuing, execute and deliver to the Company such instruments as shall be necessary to release such Damaged Unit from the lien and security interest of this Agreement (without recourse to, or representation or warranty by, the Lender).

6.17 Maintenance. The Company will, at no expense to the Lender, keep and maintain or cause to be kept and maintained, the Box-cars in good repair, condition and working

order, eligible for interchange with other railroads pursuant to Association of American Railroads Interchange Standards, and will cause to be furnished all parts, mechanisms, devices and servicing required therefor so that the value, condition and operating efficiency thereof will at all times be maintained and preserved, ordinary wear and tear excepted.

6.18 Notice of Default; etc. The Company will promptly give written notice to the Lender of (a) the occurrence of any Default or Event of Default; (b) any litigation or proceedings relating to the Collateral; (c) any litigation or proceedings affecting the Company or any of its properties or assets which, if adversely determined, might have a material adverse effect upon the financial condition, business or operations of the Company; and (d) any dispute between the Company and any governmental regulatory body that might materially interfere with the normal business operations of the Company.

6.19 Books and Records. The Company will keep proper books of record and account in which full, true and correct entries in accordance with generally accepted accounting principles will be made of all dealings or transactions in relation to its business and activities.

6.20 Inspection. The Company will permit any person designated by the Lender to visit and inspect any of the properties, corporate books and financial records of the Company and to discuss the affairs, finances and accounts of the Company with its respective officers, all at such reasonable times and as often as the Lender may reasonably request.

6.21 Marking of Box-cars. The Company will cause each Unit to be numbered at all times with the identification number set forth in Schedule I hereto pertaining to such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the following words: "TITLE TO THIS CAR SUBJECT TO DOCUMENTS RECORDED WITH INTERSTATE COMMERCE COMMISSION" or other appropriate words designated by the Lender, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lender's interest in the Box-cars and its rights under this Agreement. The Company will not permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace or will

cause to be replaced promptly any such words which may be removed, defaced or destroyed. The Company will not permit the identifying number of any Unit to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been delivered to the Lender and filed, recorded and deposited by the Company in all public offices where this Agreement shall have been filed, recorded or deposited.

SECTION 7. POWER OF ATTORNEY

7.1 Appointment. The Company hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the Company or in its own name, from time to time in the Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Company hereby gives the Lender the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) (i) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral and (ii) to endorse any checks, drafts or other orders for the payment of money payable to the Company in connection with the Collateral;

(b) upon default by the Company in the performance of Subsection 6.4 or 6.15, the Lender may, but shall not be obligated to, (i) effect any insurance called for by the terms of Subsection 6.15 and pay all or any part of the premiums therefor and the costs thereof and (ii) pay and discharge any taxes, liens and encumbrances on the Collateral; and

(c) upon the occurrence and continuance of any Event of Default or of any Default specified in paragraph (i) of Section 8 hereof, (i) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and

notices in connection with accounts and other documents relating to the Collateral; (ii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any of the Collateral; (iii) to defend any suit, action or proceeding brought against the Company with respect to any of the Collateral; (iv) to settle, compromise or adjust any suit, action or proceeding described in clause (iii) above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and (v) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option and the Company's expense, at any time or from time to time, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do.

The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

7.2 No Duty. The powers conferred on the Lender hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for its or their own gross negligence or willful misconduct.

7.3 Additional Rights. (a) The Company authorizes the Lender, at any time and from time to time, (i) to communicate in its own name with regard to the assignment of the Leases and other matters related thereto and (ii) to execute, in connection with the sale provided for in Section 9(b) of this Agreement, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(b) If the Company fails to perform or comply with any of its agreements contained herein, the Lender may itself perform or comply, or otherwise cause performance or compliance, with such agreement, and the expenses of the Lender incurred in connection with such performance or compliance, together with interest thereon at the rate of 18% per annum, shall be payable by the Company to the Lender on demand and shall constitute part of the Obligations secured hereby.

SECTION 8. EVENTS OF DEFAULT

If any of the following Events of Default shall occur and be continuing:

(a) Failure to pay any principal of, premium, if any, or interest on the Note when due and the continuance of such failure for 10 days after notice thereof shall have been given to the Company by the Lender;

(b) Any representation or warranty made by the Company in this Agreement, by the Guarantor in the Guaranty, or by the Company or the Guarantor or any officer of either thereof in any document, certificate or financial or other statement furnished at any time under or in connection with this Agreement or the Guaranty, shall prove to have been untrue or inaccurate in any material respect at the time when made;

(c) The default by the Company in the observance or performance of any covenant contained in Subsection 5.2(b), 6.3, 6.11(a), 6.11(b), 6.11(c), 6.12, 6.15(a), 6.15(b), 6.16 or 6.17 hereof;

(d) The default by the Company in the observance or performance of any other covenant or agreement contained in this Agreement and the continuance of such default for 30 days after written notice, specifying such default, shall have been given to the Company by the Lender;

(e) The Company or either Lessee shall breach or disaffirm any of its respective obligations under either Lease or either Lease shall cease to to be in full force and effect;

(f) The Guarantor shall cease to be the record and beneficial owner of 80% or more of the issued and outstanding capital stock of the Company;

(g) The default by the Company or the Guarantor in any payment of principal of, or interest on, any obligation for borrowed money (other than the Note) or for the deferred purchase price of any property or asset or any obligation guaranteed by it or in respect of which it is liable, for a period equal to the period of grace, if any, applicable to such default, or in the performance or observance of any other term, condition or covenant contained in any such obligation or in any agreement or instrument relating thereto if the effect of such default is to cause, or to permit the holder or holders of such obligation (or a trustee or agent on behalf of such holder or holders) to cause, such obligation to become due and payable prior to its stated maturity or to realize upon any collateral given as security therefor, unless the aggregate amount of all such obligations as to which any such default shall have occurred does not exceed $200,000;

(h) The Guarantor shall breach or disaffirm any of its obligations or covenants under the Guaranty or the Guaranty shall cease to be in full force and effect;

(i) Filing by the Company or the Guarantor of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing, or any action by the Company or the Guarantor indicating its consent to, approval of, or acquiescence in, any such petition or proceeding; the application by the Company or the Guarantor for, or the appointment by consent or acquiescence of, a receiver or trustee for the Company or the Guarantor or for all or a substantial part of its property; the making by the Company or the Guarantor of an assignment for the benefit of creditors; the inability of the Company or the Guarantor, or the admission by the Company or the Guarantor in writing of its inability, to pay its debts as they mature;

(j) Filing of an involuntary petition against the Company or the Guarantor in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or the involuntary appointment of a receiver or trustee of the Company or the Guarantor or for all or a substantial part of its property; or the service on the Company or the Guarantor of a warrant of attachment, execution or similar process against any substantial part of its property; and the continuance of any of such events for 60 days undismissed, unbonded or undischarged;

(k) Final judgment for the payment of money in excess of $50,000 shall be rendered against the Company or the Guarantor and the same shall remain undischarged for a period of 60 days during which execution shall not be effectively stayed;

then, and in any such event, the Lender may exercise any and all remedies granted to it under this Agreement and under applicable law, and may further, by notice of default given to the Company declare the Note to be forthwith due and payable, whereupon the unpaid principal amount of the Note, together with accrued interest thereon, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Note to the contrary notwithstanding.

SECTION 9. REMEDIES

If an Event of Default shall occur and be continuing:

(a) All payments received by the Company in connection with or arising out of any of the Collateral shall be held by the Company in trust for the Lender, shall be segregated from other funds of the Company and shall forthwith upon receipt by the Company be turned over to the Lender, in the same form as received by the Company (duly indorsed by the Company to the Lender, if required); any and all such payments so received by the Lender (whether from

the Company or otherwise) may, in the sole discretion of the Lender, be held by the Lender as collateral security for the Obligations, and/or then or at any time thereafter applied in whole or in part by the Lender against all or any part of the Obligations then due in such order as the Lender shall elect. Any balance of such payments held by the Lender and remaining after payment in full of all the Obligations shall be paid over to the Company or to whomsoever may be lawfully entitled to receive the same;

(b) The Lender may exercise in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code of the State of New York. Without limiting the generality of the foregoing, the Company expressly agrees that in any such event the Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral or any part thereof and may take possession of the Box-cars and/or may forthwith sell, assign, give option or options to purchase, or sell, lease or otherwise dispose of and deliver the Collateral, or any part thereof, in any manner permitted by applicable law (or contract to do so) in one or more parcels at public or private sale or sales, at the office of any broker or at any of the Lender's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of the Lender upon any such sale or sales, public or private, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity of redemption is hereby expressly waived or released. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least fifteen (15) days before such disposition, by registered or certified mail, postage prepaid, addressed to the Company at the address set forth in Subsection 10.2 hereof. The Company further agrees,

at the Lender's request, to collect the Box-cars and make them available to the Lender as hereinafter provided. The Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization and sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any or all of the Collateral or in any way relating to the rights of the Lender hereunder, including reasonable attorney's fees and legal expenses, to the payment in whole or in part of the Obligations, in such order as the Lender may elect, the Company remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Lender of any other amount required by any provision of law, including Section 9-504(1)(c) of the Uniform Commercial Code of the State of New York, need the Lender account for the surplus, if any, to the Company. To the extent permitted by applicable law, the Company waives all claims, damages and demands against the Lender arising out of the repossession, retention or sale of the Collateral. The Company shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which the Lender is entitled, the Company also being liable for the fees of any attorneys employed by the Lender to collect such deficiency. The Company hereby waives presentment, demand, protest and any notice (to the extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral; and

(c) In the event that the Lender shall request that the Box-cars be collected as provided in paragraph (b) of this Section 9, the Company shall, at its own risk and expense (i) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and to all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks as the Lender reasonably may designate; (ii) permit the Lender to store such Units on such tracks until such Units have been sold, leased or otherwise disposed of by the Lender; and (iii) transport the same to

any connecting carrier for shipment, all as directed by the Lender. The assembling, delivery, storage and transporting of the Box-cars as hereinbefore provided shall be at the expense and risk of the Company and are of the essence of this Agreement, and upon application to any court of equity having jurisdiction in the premises the Lender shall be entitled to a decree against the Company requiring specific performance of the covenants of the Company so to assemble, deliver, store and transport the Box-cars. During any storage period, the Company will, at its own cost and expense, maintain and keep the Box-cars in good order and repair and will permit the Lender or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessor or manager of any Unit, to inspect the same. The Company hereby expressly waives any and all claims against the Lender and its agent or agents for damages of whatsoever nature in connection with any retaking of any Unit in any reasonable manner.

(d) Beyond the use of reasonable care in the custody thereof the Lender shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or as to any income therefrom.

Notwithstanding any provision of this Agreement to the contrary, the Lender shall not, so long as either Lessee is not in default under its Lease, take any action which would interfere with such Lessee's rights under its Lease, including the right to the possession and use of the Box-cars subject thereto, except in accordance with the provisions of such Lease.

SECTION 10. MISCELLANEOUS

10.1 Reimbursement of Lender, etc. The Company agrees, whether or not the transactions contemplated by this Agreement shall be consummated, to pay, or reimburse the Lender for, (i) all costs and expenses (including the reasonable legal fees and disbursements of counsel for the Lender in an amount not exceeding $10,000) incurred by the Lender in connection with the preparation and execution of this Agreement, the Note and the Guaranty and (ii) all costs and expenses (including the reasonable legal fees and disbursements

of counsel for the Lender) incurred by the Lender in connection with the enforcement (or the preservation of any rights hereunder) and any modification of this Agreement, the Note and the Guaranty. The Company also agrees to pay, and to save the Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying, documentary, excise, recording, filing, stamp or similar taxes, fees and other governmental charges (including interest and penalties), if any, which may be payable or determined to be payable in respect of the execution, delivery or recording of this Agreement, the Note or the Guaranty or any modification of any thereof or any waiver or consent under or in respect of any thereof. The obligations of the Company under this Subsection 10.1 shall survive payment of the Note and termination of this Agreement.

10.2 Notices. All notices, requests and demands to or upon the respective parties to this Agreement shall be in writing and shall be deemed to have been given or made when delivered by hand or deposited in the mail, by registered or certified mail, postage prepaid, addressed as follows or to such other address as may be hereafter designated in writing by the respective parties hereto:

The Company: Rex Railways, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07632
Attention: Mr. Robert Gruber

With a copy to: Rex-Noreco, Inc.
616 Palisade Avenue
Englewood Cliffs, New Jersey 07632
Attention: Mr. Mark Salitan

The Lender: Manufacturers Hanover Leasing Corporation
30 Rockefeller Plaza
New York, New York 10020
Attention: Secretary

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Lender, any right, power or privilege under this Agreement, the Note, the Guaranty or any of the Collateral shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein and therein are cumulative and not exclusive of any rights or remedies provided by law.

10.4 Amendments and Waivers. The provisions of this Agreement may from time to time be amended, supplemented or otherwise modified or waived only by a written agreement signed by the Company and the Lender.

10.5 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and the Lender and their respective successors and assigns, except that the Company may not transfer or assign any of its rights hereunder without the prior written consent of the Lender.

10.6 Survival of Representations. All representations and warranties herein contained or made in writing in connection with this Agreement shall survive the execution and delivery of this Agreement and the making of the Loan hereunder and shall continue in full force and effect until all sums due and to become due hereunder and under the Note shall have been paid in full.

10.7 Construction. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

10.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.9 Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper

and duly authorized officers as of the day and year first above written.

REX RAILWAYS, INC.

By _____
Executive Vice President

Attest:

By _____
Secretary

(Seal)

MANUFACTURERS HANOVER LEASING CORPORATION

By _____
Vice President

Attest:

By _____
Secretary

(Seal)

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 18th day of May, 1979, before me personally appeared MARK A. SALITAN, to me known, who, being duly sworn, did depose and say that he resides at 121 Deerfield Drive, Tenafly, New Jersey; that he is Executive Vice President of REX RAILWAYS, INC., one of the corporations described in and which executed the foregoing document; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such corporation's seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Christine A. Smith

Notary Public

CHRISTINE A. SMITH
Notary Public, State of New York
No. 31-4506346
Qualified in New York County
Commission Expires March 30, 19[illegible]

[Notarial Seal]

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 18th day of May, 1979, before me personally appeared GEORGE J. THEN, to me known, who, being duly sworn, did depose and say that he resides at 3111 Poplar Street, Yorktown Heights, New York; that he is a Vice President of MANUFACTURERS HANOVER LEASING CORPORATION, one of the corporations described in and which executed the foregoing document; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such corporation's seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Notary Public

CHRISTINE A. SMITH
Notary Public, State of New York
No. 31-4506346
Qualified in New York County
Commission Expires March 30, 19[illegible]

[Notarial Seal]

SCHEDULE I

BOX-CARS

Number of Cars	A.A.R. Mech. Design	Description	Identifying Numbers (Both Inclusive)	Markings
100	XF	50' 6" 70-ton Box-cars	MNS 49800 through MNS 49899	"TITLE TO THIS CAR SUBJECT TO DOCUMENTS RECORDED WITH INTERSTATE COMMERCE COMMISSION"
75	XL	50' 6" 70-ton Box-cars	LRS 5001 through LRS 5075	"TITLE TO THIS CAR SUBJECT TO DOCUMENTS RECORDED WITH INTERSTATE COMMERCE COMMISSION"

EXHIBIT A

[Form of Note]

REX RAILWAYS, INC.

$ New York, New York
, 1979

FOR VALUE RECEIVED, REX RAILWAYS, INC., a New Jersey corporation (the "Company"), hereby promises to pay to the order of MANUFACTURERS HANOVER LEASING CORPORATION at its office located at 30 Rockefeller Plaza, New York, New York, in lawful money of the United States of America, the principal amount of Dollars ($), and to pay interest on the unpaid principal amount hereof, in like money, from the date hereof at the rate of 11.75% per annum (calculated on the basis of a 360-day year of twelve 30-day months). Such principal and interest shall be due and payable in 120 consecutive monthly installments on the day of each month, commencing , 1979. Each of the 1st through the 119th such installments shall be a payment of principal and interest in the amount of $ and the 120th such installment shall be a payment of principal and interest in the amount of $, provided that, in any event, the 120th such installment shall be in amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, this Note, and provided further, that in the event any partial prepayment of this Note is made pursuant to Subsection 2.4 or 2.5 of the Agreement referred to below, each installment due and payable on this Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of this Note shall have been reduced by such partial prepayment. Each installment of this Note, when paid, shall be first applied to the payment of interest on the unpaid principal amount of this Note, and the balance thereof to the payment of principal. Interest on any overdue principal of and premium, if any, on this Note shall be payable from the due date thereof at the rate of 18% per annum for the period during which such principal or premium shall be overdue.

If any installment of principal and interest on this Note becomes due and payable on a Saturday, Sunday or legal holiday under the laws of the State of New York, the maturity thereof shall be extended to the next succeeding business day.

This Note is the Note of the Company issued pursuant to the Loan and Security Agreement dated as of May 18, 1979 between the Company and the payee hereof (herein, as the same may from time to time be amended, supplemented or otherwise modified, called the "Agreement"), and is entitled to the benefits thereof. As provided in the Agreement, this Note is subject to prepayment, in whole or in part, in certain cases without premium and in other cases with a premium as specified in the Agreement.

This Note is secured by the Collateral described in the Agreement. Reference is made to the Agreement for a description of the nature and extent of the security for this Note and the rights of the holder hereof with respect to such security.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Upon the occurrence of any one or more of the Events of Default specified in the Agreement, the amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Agreement.

REX RAILWAYS, INC.

By_____
Title:

EXHIBIT B

[Form of Guaranty]

GUARANTY

GUARANTY dated , 1979, made by REX-NORECO, INC., a New Jersey corporation (the "Guarantor") in favor of MANUFACTURERS HANOVER LEASING CORPORATION, a New York corporation (the "Lender").

W I T N E S S E T H :

WHEREAS, the Guarantor is the record and beneficial owner of all of the issued and outstanding shares of the capital stock of Rex Railways, Inc., a New Jersey corporation (the "Company");

WHEREAS, the Company has entered into a Loan and Security Agreement dated as of May 18, 1979 with the Lender (the "Loan Agreement"), pursuant to which the Lender has agreed, subject to the terms and conditions thereof, to make a loan to the Company in a principal amount not to exceed $6,797,500 to finance a portion of the aggregate purchase price of one hundred seventy-five 70-ton box-cars, such loan to be evidenced by a secured promissory note of the Company as provided in the Loan Agreement (the "Note");

WHEREAS, it is a condition precedent to the obligation of the Lender to make the loan under the Loan Agreement that the Guarantor execute and deliver this Guaranty to the Lender; and

WHEREAS, it is in the best interests of the Guarantor that the Company acquire the aforesaid box-cars and finance a portion of the purchase price thereof with the proceeds of the loan under the Loan Agreement;

NOW, THEREFORE, in consideration of the premises and in order to induce the Lender to make the loan as provided in the Loan Agreement, the Guarantor agrees as follows:

1. The Guarantor hereby unconditionally and irrevocably guaranties, as primary obligor and not merely as surety, to the Lender, its successors, indorsees, transferees and assigns, the prompt and complete payment when due (whether at the stated maturity, by acceleration or otherwise) of (i) the unpaid principal amount of, and accrued interest on, the Note and (ii) all other obligations

and liabilities of the Company to the Lender, now existing or hereinafter incurred, under the Loan Agreement and the Note, and under any renewals or extensions of either thereof (all of said principal amount, interest, obligations and liabilities being hereinafter called the "Obligations"), and the Guarantor further agrees to pay any and all reasonable expenses which may be paid or incurred by the Lender in collecting any or all of the Obligations and/or enforcing any rights under this Guaranty or under the Obligations.

2. Notwithstanding any payment or payments made by the Guarantor hereunder, the Guarantor shall not be entitled to be subrogated to any of the rights of the Lender against the Company or any collateral security or guaranty or right of offset held by the Lender for the payment of the Obligations until all amounts owing to the Lender by the Company for or on account of the Obligations are paid in full.

3. The Guarantor hereby consents that, without the necessity of any reservation of rights against the Guarantor and without notice to or further assent by it, (a) any demand for payment of any of the Obligations may be rescinded by the Lender and any of the Obligations continued; (b) the Obligations may, from time to time, in whole or in part, be renewed, extended, modified, prematured, compromised or released by the Lender; (c) the Loan Agreement and the Note may be amended, modified, or supplemented by the Lender and the provisions thereof may be waived by the Lender from time to time; and (d) any and all collateral security and/or lien or liens (legal or equitable) at any time, present or future, held, given or intended to be given for the Obligations, and any rights or remedies of the Lender under the Loan Agreement and/or any other collateral security documents or in law or in equity or otherwise, may, from time to time, in whole or in part, be exchanged, sold, surrendered, released, modified, waived or extended by the Lender and the Lender may permit or consent to any such action or the result of any such action; all as the Lender may deem advisable and all without impairing, abridging, releasing or affecting the guaranty provided for herein.

4. The Guarantor hereby waives any and all notice of the acceptance of this Guaranty and any and all notice of the creation, renewal, extension or accrual of any of the Obligations or the reliance by the Lender upon this Guaranty. The Obligations shall conclusively be deemed to have been created, contracted and incurred in reliance upon this Guaranty and all dealings between the Company and the Lender shall likewise be conclusively presumed to have been

had or consummated in reliance upon this Guaranty. To the extent permitted by law, the Guarantor waives protest, demand for payment and notice of default, dishonor or nonpayment to or upon it or the Company with respect to the Obligations or any of them.

5. This is a continuing, absolute and unconditional guaranty of payment without regard to the validity, regularity or enforceability of the Note, the Loan Agreement or any other collateral security document or guaranty therefor or rights of offset with respect thereto and without regard to any defense, offset or counterclaim which may at any time be available to or be asserted by the Company against the Lender and which constitutes, or might be construed to constitute, an equitable or legal discharge of the Company for the Obligations, or of the Guarantor under this Guaranty, in bankruptcy or in any other instance. This Guaranty shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor, its successors and assigns until all of the Obligations have been paid in full.

6. The Guarantor hereby represents and warrants to the Lender that:

(a) The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey and is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction in which the conduct of its business or the ownership or lease or its properties requires such qualification.

(b) The Guarantor has full power, authority and legal right to own its properties and to conduct its business as now conducted and presently proposed to be conducted by it and to execute, deliver and perform this Guaranty and to take such action as may be necessary to complete the transactions contemplated by the Loan Agreement and this Guaranty, and the Guarantor has taken all necessary corporate action to authorize the execution, delivery and performance of this Guaranty.

(c) This Guaranty has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation

of the Guarantor enforceable in accordance with its terms.

(d) No consent of any other party (including stockholders of the Guarantor) and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty.

(e) The execution, delivery and performance by the Guarantor of this Guaranty will not violate any provision of any existing law or regulation to which the Guarantor is subject or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Guarantor or of the Articles of Incorporation, By-Laws or any preferred stock provision of the Guarantor or of any mortgage, indenture, contract or other agreement to which the Guarantor is a party or which is or purports to be binding upon the Guarantor or any of its properties or assets, and will not constitute a default thereunder, and will not result in the creation or imposition or any lien, charge or encumbrance on, or security interest in, any of the properties or assets of the Guarantor or any of its subsidiaries. The Guarantor is not in default in the performance or observance of any of the obligations, covenants or conditions contained in any bond, debenture or note, or in any mortgage, deed of trust, indenture or loan agreement, of the Guarantor.

(f) There are no actions, suits or proceedings (whether or not purportedly on behalf of the Guarantor) pending or, to the knowledge of the Guarantor, threatened against the Guarantor or any of its subsidiaries or any of their respective properties or assets in any court or before any arbitrator of any kind or before or by any governmental body, which (i) relate to any of the transactions contemplated by this Guaranty or the Loan Agreement, or (ii) would, if adversely determined, materially impair the right or ability of the Guarantor to carry on its business substantially as now conducted and presently proposed to be conducted, or (iii) would, if adversely determined,

have a material adverse effect on the operating results or on the condition, financial or other, of the Guarantor or any of its subsidiaries. The Guarantor is not in default with respect to any order, judgment, award, decree, rule or regulation of any court, arbitrator or governmental body.

(g) The consolidated financial statements of the Guarantor and its subsidiaries as at July 31, 1978, and for the three years then ended, certified by Coopers & Lybrand, and the unaudited consolidated financial statements of the Guarantor and its subsidiaries as at January 31, 1979, and for the six months then ended, certified by the chief financial officer of the Guarantor, copies of which have heretofore been delivered to the Lender, are complete and correct, present fairly the consolidated financial position of the Guarantor and its subsidiaries as of their respective dates and the results of their operations for the respective periods covered thereby, and have been prepared in accordance with generally accepted accounting principles consistently applied. There has been no material adverse change in the condition, financial or other, of the Guarantor since January 31, 1979.

(h) Each of the Guarantor and each of its subsidiaries has filed all Federal, state and local tax returns and declarations of estimated tax which are required to be filed and has paid all taxes which have become due pursuant to such returns and declarations or pursuant to any assessments made against it, and the Guarantor has no knowledge of any deficiency or additional assessments in connection therewith not adequately provided for on the books of the Guarantor or the applicable subsidiary. In the opinion of the Guarantor, all tax liabilities of the Guarantor and its subsidiaries were adequately provided for as of January 31, 1979, and are now so provided for, on the books of the Guarantor and its subsidiaries.

(i) Since January 31, 1979, the business, operations, properties and assets of the Guarantor and its subsidiaries have not been materially and adversely affected in any way as the result of any fire, explosion, earthquake, disaster, accident, labor disturbance, requisition or taking of property

by governmental authority, flood, drought, embargo, riot, civil disturbance, uprising, activity of armed forces, or act of God or the public enemy.

(j) The Guarantor is not a party to any agreement or instrument, or subject to any charter or other corporate restriction or to any judgment, order, writ, injunction, decree, award, rule or regulation, which does or will materially and adversely effect the business, operations, properties or assets or the condition, financial or other, of the Guarantor.

(k) The Guarantor owns of record and beneficially all of the issued and outstanding capital stock of the Company.

7. The Guarantor covenants and agrees that it will furnish to the Lender (a) as soon as available, but in any event not later than 120 days after the end of each fiscal year of the Guarantor, a consolidated balance sheet of the Guarantor and its subsidiaries as at the end of such fiscal year and the related statements of income and of changes in financial position of the Guarantor and its subsidiaries for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and accompanied by a report or opinion of Coopers & Lybrand or other independent public accountants of recognized standing selected by the Guarantor and satisfactory to the Lender; (b) as soon as available, but in any event not later than 90 days after the end of each quarter, other than the last, of each fiscal year of the Guarantor, an unaudited consolidated balance sheet of the Guarantor and its subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of changes in financial position of the Guarantor and its subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the chief financial officer of the Guarantor (subject to normal year-end audit adjustments); and (c) promptly upon request, such additional financial information with respect to the Guarantor as the Lender may from time to time reasonably require.

8. This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Lender upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

9. No failure or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. All rights and remedies of the Lender hereunder and under the Note, and any other collateral security document or guarantee therefor shall be cumulative and may be exercised singly or concurrently and are not exclusive of any rights or remedies permitted by law.

10. This Guaranty may not be waived, altered, modified or amended except in writing duly signed by the Lender. This Guaranty and the rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of New York.

11. All terms defined in the Loan Agreement and used herein shall have the meanings assigned to them therein unless the context requires otherwise.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer on the day and year first above written.

REX-NORECO, INC.

By_____
Title:

EXHIBIT C

[Form of Bill of Sale]

BILL OF SALE

ACF INDUSTRIES INCORPORATED (the "Builder"), in consideration of the sum of Ten Dollars and other good and valuable consideration paid by REX RAILWAYS, INC. (the "Buyer"), receipt of which is hereby acknowledged, does hereby grant, bargain, sell, transfer and set over unto the Buyer, its successors and assigns, the following described equipment which has been delivered by the Builder to the Buyer, to wit:

Number of Units	Description	Identification Numbers

TO HAVE AND TO HOLD all and singular the equipment above described to the Buyer, its successors and assigns, for its and their own use and behoof forever.

And the Builder hereby warrants to the Buyer, its successors and assigns, that said equipment has been constructed from new components; that said equipment is new and unused upon delivery to the Buyer, that is, has never been placed in service prior to delivery to the Buyer; that said equipment has been constructed in accordance with Association of American Railroads or other U.S. governmental regulations applicable to said equipment; that at the time of delivery to the Buyer the Builder is the lawful owner of said equipment; that title to said equipment is free from all prior claims, liens and encumbrances suffered by or through the Builder; and that the Builder has good right to sell the same as aforesaid; and the Builder covenants that it will warrant and defend such title against all claims and demands whatsoever.

ACF INDUSTRIES INCORPORATED

By: _____
Title:

Dated: , 1979

EXHIBIT D

[Form of Certificate of Acceptance]

CERTIFICATE OF ACCEPTANCE

, 1979

Rex Railways, Inc.
P.O. Box 968
Englewood Cliffs, New Jersey 07632

Gentlemen:

The undersigned, being a duly authorized representative of (the "Lessee"), hereby accepts ( ) Cars bearing numbers as follows:

for the Lessee pursuant to the Lease Agreement, dated as of March , 1979 (the "Lease") between the Lessee and you and certifies that each of said Cars is plainly marked in stencil on both sides of each Car with the words

"TITLE TO THIS CAR SUBJECT TO DOCUMENTS RECORDED WITH INTERSTATE COMMERCE COMMISSION"

in readily visible letters not less than one inch (1") in height, and that each of said Cars conforms to, and fully complies with the terms of the Lease and is in condition satisfactory to the Lessee. Lessee hereby certifies that it is an interstate carrier by rail and that the Cars are intended for actual use and movement in interstate commerce.

_____
[Name]

EXHIBIT E

[Form of Certificate of Cost]

CERTIFICATE OF COST

Pursuant to paragraph (q) of Section 4 of the Loan and Security Agreement, dated as of May 18, 1979 (the "Agreement"), between REX RAILWAYS, INC. and MANUFACTURERS HANOVER LEASING CORPORATION (the "Lender"), the undersigned hereby certifies that the Box-car Costs (as defined in the Agreement) of the Box-cars being partially financed with the proceeds of the loan being made by the Lender to the undersigned on the date hereof are as follows:

Number of Units	Description	Identification Nos.	Box-car Costs

TOTAL BOX-CAR COSTS

The undersigned hereby further certifies that attached hereto are true and complete copies of the invoices of ACF Industries Incorporated, identifying the Box-cars described above and specifying the Box-car Costs thereof.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Certificate this day of , 1979.

REX RAILWAYS, INC.

By_____
Title:

EXHIBIT F

[Form of Legal Opinion of Counsel
to the Company and the Guarantor]

, 1979

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

I have acted as counsel for Rex Railways, Inc., a New Jersey corporation (the "Company"), in connection with the execution and delivery of the Loan and Security Agreement, dated as of May 18, 1979, between the Company and you (the "Agreement"), and for Rex-Noreco, Inc., a New Jersey corporation (the "Guarantor") in connection with the execution and delivery of the Guaranty, dated , 1979 (the "Guaranty") made by the Guarantor in your favor.

This opinion is furnished to you pursuant to paragraph (v) of Section 4 of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, I have examined executed counterparts of the Agreement, the Leases and the Guaranty, the executed Note delivered by the Company on the date hereof (the "Note"), and such corporate documents and records of the Company and the Guarantor, certificates of public officials and of officers of the Company and the Guarantor, and such other documents, as I have deemed necessary or appropriate for the purposes hereof.

Based upon the foregoing, I am of the opinion that:

1. Each of the Company and the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Neither the conduct of its business nor the ownership or lease of its properties requires the Company to qualify to do business as a foreign corporation under the laws of any jurisdiction. The Guarantor is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction in which the conduct of its business or the ownership or lease of its properties requires such qualification.

2. The Company has the corporate power and authority to own its properties and to transact the business in which it is presently engaged (including the purchase of the Box-cars) and to execute, deliver and perform the Agreement, the Note and the Leases, to borrow under the Agreement on the terms and conditions thereof, to grant the lien and security interest created by the Agreement, and to take such action as may be necessary to complete the transactions contemplated by the Agreement, the Note and the Leases and the Company has taken all necessary corporate action to authorize the borrowing on the terms and conditions of the Agreement and the grant of the lien and security interest created by the Agreement and to authorize the execution, delivery and performance of the Agreement, the Note and the Leases.

3. The Guarantor has the corporate power and authority to own its properties and to transact the business in which it is presently engaged and to execute, deliver and perform the Guaranty and to take such action as may be necessary to complete the transactions contemplated by the Loan Agreement and the Guaranty, and the Guarantor has taken all necessary corporate action to authorize the execution, delivery and performance of the Guaranty.

4. Each of the Agreement, the Note and the Leases has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

5. The Guaranty has been duly authorized, executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

6. No consent of any other party (including the stockholders of the Company and the Guarantor) and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority, is required in connection with the execution, delivery, performance, validity or enforceability of the Agreement, the Note or the Guaranty except for the filings and recordings referred to in paragraph 9 below.

7. The execution, delivery and performance by the Company of the Agreement, the Note and the Leases and by the Guarantor of the Guaranty will not violate any provision of, or constitute a default under, any existing law or regulation to which the Company or the Guarantor is subject, or any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company or the Guarantor, or the respective Articles of Incorporation, the respective By-Laws or any preferred stock provision of the Company or the Guarantor, or any mortgage, indenture, contract or other agreement to which the Company or the Guarantor is a party or which is binding upon the Company or the Guarantor or any of their respective properties or assets, and will not result in the creation or imposition of any Lien (other than the lien on and security interest created by the Agreement) on any of the respective properties or assets of the Company or the Guarantor pursuant to the provisions of any such mortgage, indenture, contract or other agreement.

8. To the best of my knowledge (having made due inquiry), there are no actions, suits or proceedings (whether or not purportedly on behalf of the Company or the Guarantor) pending or threatened against the Company or the Guarantor or any of their respective properties or assets in any court or before any arbitrator or before or by any governmental body, which (i) relate to any of the Collateral or to any of the transactions contemplated by the Agreement or the Guaranty, or (ii) would, if adversely determined, materially impair the right or ability of the Company or the Guarantor to carry on its respective business substantially as now conducted, or (iii) would, if adversely determined, have a material adverse effect on the respective operating results or on the respective condition, financial or other, of the Company or the Guarantor.

9. The Agreement and each Lease have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code and no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien on the Box-cars or either Lease. A financing statement with respect to your security interest in the Leases has been duly filed in the office of the Secretary of State of New Jersey and no other financing statement asserting the grant by the Company of a security interest in either Lease has been so filed. No other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as

security for the Note and the other Obligations, the lien on and security interest in the Box-cars and the Leases created by the Agreement except that a continuation statement must be filed within six months prior to the expiration of each five-year period following the date of filing of the financing statement filed with the Secretary of State of New Jersey. The Agreement (i) constitutes a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars (and the Proceeds thereof) and in each of the Leases (and the Proceeds thereof), as security for the Note and the other Obligations and (ii) constitutes a legal and valid lien on and security interest in the Cash Collateral Account, as security for the Note and the other Obligations, and upon each deposit of funds in such Account, such lien and security interest shall be perfected with respect to such funds, and the Lender shall have a first priority perfected security interest in such funds, as security for the Note and the other Obligations.

In rendering the opinions expressed in paragraph 9 above, I have relied as to matters governed by Title 49, United States Code, and as to the filings and recordings with the Interstate Commerce Commission (or the lack of such filings and recordings), upon the opinion of Messrs. Jackson, Campbell & Parkinson, delivered to you on the date hereof pursuant to paragraph (w) of Section 4 of the Agreement. Such opinion is satisfactory in form and substance to me, and I believe that I and you are justified in relying thereon.

Very truly yours,

EXHIBIT G

[Form of Legal Opinion of Special Counsel to the Company]

, 1979

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as special counsel for Rex Railways, Inc., a New Jersey corporation (the "Company"), in connection with the execution and delivery of the Loan and Security Agreement dated as of May 18, 1979 between the Company and you (the "Agreement").

This opinion is furnished to you pursuant to paragraph (w) of Section 4 of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, we have examined executed counterparts of the Agreement and the Leases, the executed Note delivered by the Company on the date hereof (the "Note"), and such other documents as we have deemed necessary or appropriate for the purposes thereof.

Based upon the foregoing, we are of the opinion that:

1. The Agreement and each Lease have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 11303, Title 49, United States Code and no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien on the Box-cars or either Lease. A financing statement with respect to your security interest in the Leases has been duly filed in the office of the Secretary of State of New Jersey and no other financing statement asserting the grant by the Company of a security interest in either Lease has been so filed. No other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as security for the Note and the other Obligations, the lien

on and security interest in the Box-cars and the Leases created by the Agreement except that a continuation statement must be filed within six months prior to the expiration of each five-year period following the date of filing of the financing statement filed with the Secretary of State of New Jersey.

2. The Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars (and the Proceeds thereof) and in each of the Leases (and the Proceeds thereof) as security for the Note and the other Obligations.

In rendering the opinions expressed above, we have relied as to matters governed by the Uniform Commercial Code and as to the filing with the Secretary of State of New Jersey (or the lack of such filings) upon the opinion of Richard M. Contino, Esq., delivered to you on the date hereof pursuant to paragraph (v) of Section 4 of the Agreement.

Very truly yours,